



August 29, 2017

**VIA ECFS**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 Twelfth Street, SW  
Washington, DC 20554

**Subject:** *Ex parte presentation – WC Docket No. 10-90  
CAF Phase II Competitive Bidding  
Technology Policy Institute Paper*

Dear Ms. Dortch:

Hughes Network Systems (“Hughes”) submits this letter to highlight a paper recently released by Technology Policy Institute that is highly relevant to the above-referenced proceeding.<sup>1</sup> The paper discusses the results of the authors’ empirical research on the relative value that consumers place on speed, bandwidth, and latency in purchasing broadband services. The study’s results bear directly on the factors that the Commission proposes to weigh in the Connect America Fund (“CAF”) Phase II competitive bidding process.

The paper demonstrates that:

- Consumers are willing to pay an increment of less than \$10 per month for low-latency performance typical of wired broadband products as compared to the latency levels typical of satellite broadband.
- The incremental value that consumers place on broadband speed begins to drop precipitously above 50 Mbps, and is negligible above 100 Mbps.
- Household valuation of increased data caps is concave as caps increase from 300 GB to 1000 GB (although consumers place a significant premium on unlimited service).

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<sup>1</sup> Yu-Hsin Liu, Jeffrey Prince, and Scott Wallsten, “Distinguishing Bandwidth and Latency in Households’ Willingness-to-Pay for Broadband Internet Speed,” Technology Policy Institute (Aug. 2017), available at <https://techpolicyinstitute.org/wp-content/uploads/2017/08/Distinguishing-Bandwidth-and-Latency-in-Households-Willingness-to-Pay-for.pdf>. Hughes was not involved in any way in commissioning or funding this paper or the research that underlay it.

This empirical information thus demonstrates that – just as Hughes argued in its pending petition for reconsideration<sup>2</sup> – the Commission adopted incorrect weights in the *CAF Weighting Order* by providing too great of a bidding advantage to high-speed, high-capacity, low-latency services.<sup>3</sup> The paper shows that the steep penalties that the *CAF Weighting Order* imposes on higher-latency services, and the great benefit it gives services in the Gigabit tier, do not reflect the actual values that consumers place on these characteristics.

Adjusting the bid weights to more reasonable levels requested by Hughes will not affect the work that the Commission has done to date on the auction procedures or software or otherwise delay the auction. The public notice seeking comment on the auction procedures treats the bid weight as a variable (“*T*”) in the auction bid processing formula.<sup>4</sup> There is therefore no reason to believe that adjusting the value of this variable will affect the auctions procedures or software.

Hughes therefore reiterates its request that the Commission reconsider the *CAF Weighting Order* without delay and adopt more reasonable bid weights, such as the 5 – 10 point increments proposed by Hughes in its earlier comments and in its Reconsideration Petition.<sup>5</sup>

Sincerely,

/s/  
Jennifer A. Manner  
Senior Vice President, Regulatory Affairs

cc:	Nicholas Degani	Jerry Ellig
	Jay Schwarz	Kris Anne Monteith
	David Grossman	Chelsea Fallon
	Amy Bender	Michael Janson
	Nathan Eagan	Kirk Burgee
	Travis Litman	Thomas Parisi

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<sup>2</sup> Petition for Reconsideration of Hughes Network Systems, LLC, WC Docket Nos. 10-90 and 14-58 (filed April 20, 2017) (“Reconsideration Petition”). Although one of the authors of the paper, Scott Wallsten, has consulted for Hughes in this proceeding, Hughes did not commission the paper and had no input into the underlying research or the drafting of the report.

<sup>3</sup> *Connect America Fund, ETC Annual Reports and Certifications*, Report and Order and Order on Reconsideration, 32 FCC Rcd 1624 (2017) (“*CAF Weighting Order*”).

<sup>4</sup> *Comment Sought on Competitive Bidding Procedures and Certain Program Requirements for the Connect America Fund Phase II Auction (Auction 903)*, AU Docket No. 17-182, WC Docket No. 10-90, Public Notice, FCC 17-101 (rel. Aug. 4, 2017) at ¶ 79.

<sup>5</sup> See, e.g., Reconsideration Petition at 5.